

- Q.2 (A)** From the information given below, you are required to prepare profit statements for the year based on (i) absorption costing (ii) marginal costing and comment on the difference in profit figures you report for (i) and (ii) above. (12)

Royal Ltd. produces a single product which is bottled and sold in cases. The normal annual level of operations, on which the production fixed overhead absorption is based on 36,000 cases. Data for the last accounting year were as follows:

Production	40,000 cases
Sales	32,000 cases
	Per Case (Rs.)
Selling Price	60
Production Costs:	
Direct Material	14
Direct Labour	12
Variable Overhead	8
Fixed Overhead (budgeted & incurred)	Rs. 2,16,000
Selling and Administration Costs:	
Fixed	50,000
Variable	15% on sales revenue

There was no opening stock of finished goods and the work in progress stock may be assumed to be the same at the end of the year as it was at the beginning of the year.

- (B)** Write a note on limiting factor. (05)

SECTION – II

- Q.3 (A)** Write a short note on: (1) Kaizen Costing. (12)
(2) Activity Cost Driver.
- (B)** Advantages of Target Costing. (06)

OR

- Q.3 (A)** BSNL Co. manufacturing two products, furnishes the following data for a year: (12)

Product	Annual output units	Total machine hours	Total number of purchase orders	Total number of set-ups
A	5,000	20,000	160	20
B	60,000	1,20,000	384	44

The annual overheads are as under:

Volume related activity costs	Rs. 5,50,000
Set – up related costs	8,20,000
Purchase related costs	6,18,000

You are required to calculate the cost per unit of each product A and B bases on Activity Based Costing Method.